

QUARTERLY REPORT

LICENSEE: BOARDWALK REGENCY CORPORATION (Caesars Atlantic City)

FOR THE QUARTER ENDED SEPTEMBER 30, 2005

**TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY**

BALANCE SHEETS

AS OF SEPTEMBER 30, 2005 AND 2004

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 2005 (c) | 2004 (d) |
|-------------|--|-------------|-------------|
| | ASSETS | | |
| | Current Assets: | | |
| 1 | Cash and Cash Equivalents..... | \$ 20,042 | \$ 18,396 |
| 2 | Short-Term Investments..... | \$ - | - |
| 3 | Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts-(2005, \$9,101; 2004, \$7,721)..... Note 2..... | \$ 117,327 | 128,787 |
| 4 | Inventories..... Note 1..... | \$ 1,848 | 2,385 |
| 5 | Prepaid Expenses and Other Current Assets..... | \$ 3,744 | 5,314 |
| 6 | Total Current Assets..... | 142,961 | 154,882 |
| 7 | Investments, Advances, and Receivables..... Note 3..... | 18,779 | 18,823 |
| 8 | Property and Equipment - Gross..... Notes 1, 4 & 10..... | 975,928 | 933,931 |
| 9 | Less: Accumulated Depreciation and Amortization..... | (413,580) | (401,591) |
| 10 | Property and Equipment - Net..... | 562,348 | 532,340 |
| 11 | Other Assets..... Note 5..... | 25,067 | 16,559 |
| 12 | Total Assets..... | \$ 749,155 | \$ 722,604 |
| | LIABILITIES AND EQUITY | | |
| | Current Liabilities: | | |
| 13 | Accounts Payable..... | \$ 6,819 | \$ 11,394 |
| 14 | Notes Payable..... Note 6..... | \$ - | - |
| | Current Portion of Long-Term Debt: | \$ - | - |
| 15 | Due to Affiliates..... Note 9..... | \$ - | - |
| 16 | Other..... Note 10..... | \$ 31 | 28 |
| 17 | Income Taxes Payable and Accrued..... Note 1..... | - | - |
| 18 | Other Accrued Expenses..... Note 7..... | \$ 22,404 | 30,865 |
| 19 | Other Current Liabilities..... Note 8..... | \$ 87,502 | 70,663 |
| 20 | Total Current Liabilities..... | 116,756 | 112,950 |
| | Long-Term Debt: | | |
| 21 | Due to Affiliates..... Note 9..... | 518,330 | 518,330 |
| 22 | Other..... Note 10..... | 661 | 692 |
| 23 | Deferred Credits..... | - | - |
| 24 | Other Liabilities..... | 6,547 | 6,134 |
| 25 | Commitments and Contingencies | | |
| 26 | Total Liabilities..... | 642,294 | 638,106 |
| 27 | Stockholders', Partners', or Proprietor's Equity..... | 106,861 | 84,498 |
| 28 | Total Liabilities and Equity..... | \$ 749,155 | \$ 722,604 |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 2005 (c) | 2004 (d) |
|-------------|---|-------------|-------------|
| | Revenue: | | |
| 1 | Casino.....Note 1..... | \$ 390,119 | \$ 382,628 |
| 2 | Rooms..... | 29,002 | 27,647 |
| 3 | Food and Beverage..... | 46,388 | 47,636 |
| 4 | Other..... | 14,628 | 16,141 |
| 5 | Total Revenue..... | 480,137 | 474,052 |
| 6 | Less: Promotional Allowances.....Note 1..... | 97,576 | 95,086 |
| 7 | Net Revenue..... | 382,561 | 378,966 |
| | Costs and Expenses: | | |
| 8 | Cost of Goods and Services..... | 197,668 | 200,501 |
| 9 | Selling, General, and Administrative..... | 61,026 | 54,068 |
| 10 | Provision for Doubtful Accounts..... | 2,860 | 2,146 |
| 11 | Total Costs and Expenses..... | 261,554 | 256,715 |
| 12 | Gross Operating Profit..... | 121,007 | 122,251 |
| 13 | Depreciation and Amortization.....Note 1..... | 25,186 | 25,982 |
| | Charges from Affiliates Other than Interest: | | |
| 14 | Management Fees.....Note 11..... | 12,653 | 12,459 |
| 15 | Other.....Note 11..... | 4,926 | 4,870 |
| 16 | Income (Loss) from Operations..... | 78,242 | 78,940 |
| | Other Income (Expenses): | | |
| 17 | Interest (Expense) - Affiliates.....Note 6 & 9..... | (30,885) | (32,447) |
| 18 | Interest (Expense) - External.....Note 10..... | (366) | (354) |
| 19 | Investment Alternative Tax and Related Income (Expense) -.....Note 1..... | (1,559) | (2,062) |
| 20 | Nonoperating Income (Expense) - Net.....Note 12..... | (110) | (5,057) |
| 21 | Total Other Income (Expenses)..... | (32,920) | (39,920) |
| 22 | Income (Loss) Before Income Taxes and Extraordinary Items..... | 45,322 | 39,020 |
| 23 | Provision (Credit) for Income Taxes.....Note 1..... | 19,934 | 17,658 |
| 24 | Income (Loss) Before Extraordinary Items..... | 25,388 | 21,362 |
| | Extraordinary Items (Net of Income Taxes - | | |
| 25 | 20__, \$; 20__, \$)..... | | |
| 26 | Net Income (Loss)..... | \$ 25,388 | \$ 21,362 |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 2005 (c) | 2004 (d) |
|-------------|---|-------------|-------------|
| | Revenue: | | |
| 1 | Casino.....Note 1..... | 145,051 | \$ 138,625 |
| 2 | Rooms..... | 10,422 | 10,131 |
| 3 | Food and Beverage..... | 17,474 | 17,038 |
| 4 | Other..... | 5,759 | 5,976 |
| 5 | Total Revenue..... | 178,706 | 171,770 |
| 6 | Less: Promotional Allowances.....Note 1..... | 35,640 | 34,008 |
| 7 | Net Revenue..... | 143,066 | 137,762 |
| | Costs and Expenses: | | |
| 8 | Cost of Goods and Services..... | 70,856 | 70,098 |
| 9 | Selling, General, and Administrative..... | 21,286 | 19,994 |
| 10 | Provision for Doubtful Accounts..... | 622 | 702 |
| 11 | Total Costs and Expenses..... | 92,764 | 90,794 |
| 12 | Gross Operating Profit..... | 50,302 | 46,968 |
| 13 | Depreciation and Amortization.....Note 1..... | 8,190 | 8,484 |
| | Charges from Affiliates Other than Interest: | | |
| 14 | Management Fees.....Note 11..... | 4,703 | 4,537 |
| 15 | Other.....Note 11..... | 1,664 | 1,614 |
| 16 | Income (Loss) from Operations..... | 35,745 | 32,333 |
| | Other Income (Expenses): | | |
| 17 | Interest (Expense) - Affiliates.....Note 6 & 9..... | (11,074) | (10,688) |
| 18 | Interest (Expense) - External.....Note 10..... | (122) | (116) |
| 19 | Investment Alternative Tax and Related Income (Expense)Note 1..... | (781) | (692) |
| 20 | Nonoperating Income (Expense) - Net.....Note 12..... | 156 | (5,264) |
| 21 | Total Other Income (Expenses)..... | (11,821) | (16,760) |
| 22 | Income (Loss) Before Income Taxes and Extraordinary Items..... | 23,924 | 15,573 |
| 23 | Provision (Credit) for Income Taxes.....Note 1..... | 10,044 | 6,935 |
| 24 | Income (Loss) Before Extraordinary Items..... | 13,880 | 8,638 |
| | Extraordinary Items (Net of Income Taxes - | | |
| 25 | 20__, \$; 20__, \$)..... | | |
| 26 | Net Income (Loss)..... | \$ 13,880 | \$ 8,638 |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: BOARDWALK REGENCY CORPORATION (Caesars Atlantic City)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2004 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2005

(UNAUDITED)
(\$ IN THOUSANDS)

| Line (a) | Description (b) | Common Stock | | Preferred Stock | | Additional Paid-In Capital (g) | | Retained Earnings (Accumulated) (Deficit) (i) | Total Stockholders' Equity (Deficit) (j) |
|-------------|--|---------------|---------------|-----------------|---------------|---|------|---|--|
| | | Shares (c) | Amount (d) | Shares (e) | Amount (f) | | | | |
| 1 | Balance, December 31, 2003..... | 100 | \$ 1,370 | | \$ | \$ 46,065 | \$ | \$ 15,701 | \$ 63,136 |
| 2 | Net Income (Loss) - 2004..... | | | | | | | 18,337 | 18,337 |
| 3 | Contribution to Paid-in-Capital..... | | | | | | | | - |
| 4 | Dividends..... | | | | | | | | - |
| 5 | Prior Period Adjustments..... | | | | | | | | - |
| 6 | | | | | | | | | - |
| 7 | | | | | | | | | - |
| 8 | | | | | | | | | - |
| 9 | | | | | | | | | - |
| 10 | Balance, December 31, 2004..... | 100 | 1,370 | - | - | 46,065 | - | 34,038 | 81,473 |
| 11 | Net Income (Loss) - September 30, 2005.... | | | | | | | 25,388 | 25,388 |
| 12 | Contribution to Paid-in -Capital..... | | | | | | | | - |
| 13 | Dividends..... | | | | | | | | - |
| 14 | Prior Period Adjustments..... | | | | | | | | - |
| 15 | | | | | | | | | - |
| 16 | | | | | | | | | - |
| 17 | | | | | | | | | - |
| 18 | | | | | | | | | - |
| 19 | Balance, September 30, 2005..... | 100 | \$ 1,370 | - | \$ | \$ 46,065 | \$ - | \$ 59,426 | \$ 106,861 |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 2005 (c) | 2004 (d) |
|-------------|---|-------------|-------------|
| 1 | NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES..... | \$ 51,087 | \$ 44,598 |
| | CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| 2 | Purchase of Short-Term Investment Securities..... | - | - |
| 3 | Proceeds from the Sale of Short-Term Investment Securities..... | - | - |
| 4 | Cash Outflows for Property and Equipment..... | (55,034) | (36,832) |
| 5 | Proceeds from Disposition of Property and Equipment..... | 49 | 544 |
| 6 | Purchase of Casino Reinvestment Obligations..... | (4,786) | (4,830) |
| 7 | Purchase of Other Investments and Loans/Advances made..... | 526 | 1,841 |
| | Proceeds from Disposal of Investments and Collection | | |
| 8 | of Advances and Long-Term Receivables..... | - | - |
| 9 | Cash Outflows to Acquire Business Entities..... | - | - |
| 10 | | | |
| 11 | | | |
| 12 | Net Cash Provided (Used) By Investing Activities..... | (59,245) | (39,277) |
| | CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| 13 | Cash Proceeds from Issuance of Short-Term Debt..... | - | - |
| 14 | Payments to Settle Short-Term Debt..... | - | - |
| 15 | Cash Proceeds from Issuance of Long-Term Debt..... | - | - |
| 16 | Costs of Issuing Debt..... | - | - |
| 17 | Payments to Settle Long-Term Debt..... | - | (33) |
| 18 | Cash Proceeds from Issuing Stock or Capital Contributions..... | - | - |
| 19 | Purchases of Treasury Stock..... | - | - |
| 20 | Payments of Dividends or Capital Withdrawals..... | - | - |
| 21 | | | |
| 22 | Borrowings/Payments of Intercompany Payable..... | 5,763 | (15,829) |
| 23 | Net Cash Provided (Used) By Financing Activities..... | 5,763 | (15,862) |
| 24 | Net Increase (Decrease) in Cash and Cash Equivalents..... | (2,395) | (10,541) |
| 25 | Cash and Cash Equivalents at Beginning of Period..... | 22,437 | 28,937 |
| 26 | Cash and Cash Equivalents at End of Period..... | \$ 20,042 | \$ 18,396 |

| | | | |
|----|---|-----------|-----------|
| | CASH PAID DURING PERIOD FOR: | | |
| 27 | Interest (Net of Amount Capitalized)..... | \$ 31,199 | \$ 32,747 |
| 28 | Income Taxes..... | \$ 19,934 | \$ 17,658 |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 2005 (c) | 2004 (d) |
|-------------|--|-------------|-------------|
| | NET CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| 29 | Net Income (Loss)..... | \$ 25,388 | \$ 21,362 |
| | Noncash Items Included in Income and Cash Items Excluded from Income: | | |
| 30 | Depreciation and Amortization of Property and Equipment..... | 25,178 | 25,972 |
| 31 | Amortization of Other Assets..... | 8 | 10 |
| 32 | Amortization of Debt Discount or Premium..... | - | - |
| 33 | Deferred Income Taxes - Current..... | - | - |
| 34 | Deferred Income Taxes - Noncurrent..... | - | - |
| 35 | (Gain) Loss on Disposition of Property and Equipment..... | (39) | (66) |
| 36 | (Gain) Loss on Casino Reinvestment Obligations..... | 1,559 | 2,062 |
| 37 | (Gain) Loss from Other Investment Activities..... | - | - |
| | Net (Increase) Decrease in Receivables and Patrons' | | |
| 38 | Checks..... | (4,252) | (3,020) |
| 39 | Net (Increase) Decrease in Inventories..... | 568 | 441 |
| 40 | Net (Increase) Decrease in Other Current Assets..... | 79 | (2,090) |
| 41 | Net (Increase) Decrease in Other Assets..... | 11 | (16,531) |
| 42 | Net Increase (Decrease) in Accounts Payable..... | (4,281) | 4,667 |
| | Net Increase (Decrease) in Other Current Liabilities | | |
| 43 | Excluding Debt..... | 6,326 | 6,154 |
| | Net Increase (Decrease) in Other Noncurrent Liabilities | | |
| 44 | Excluding Debt..... | 315 | 294 |
| 45 | Impairment Loss..... | 227 | 5,343 |
| 46 | | | |
| 47 | Net Cash Provided (Used) By Operating Activities..... | \$ 51,087 | \$ 44,598 |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | | | |
|----|--|-----------|-----------|
| | ACQUISITION OF PROPERTY AND EQUIPMENT: | | |
| 48 | Additions to Property and Equipment..... | \$ 55,034 | \$ 36,832 |
| 49 | Less: Capital Lease Obligations Incurred..... | | |
| 50 | Cash Outflows for Property and Equipment..... | \$ 55,034 | \$ 36,832 |
| | ACQUISITION OF BUSINESS ENTITIES: | | |
| 51 | Property and Equipment Acquired..... | | |
| 52 | Goodwill Acquired..... | | |
| | Net Assets Acquired Other than Cash, Goodwill, and | | |
| 53 | Property and Equipment..... | | |
| 54 | Long-Term Debt Assumed..... | | |
| 55 | Issuance of Stock or Capital Invested..... | | |
| 56 | Cash Outflows to Acquire Business Entities..... | \$ - | \$ - |
| | STOCK ISSUED OR CAPITAL CONTRIBUTIONS: | | |
| 57 | Total Issuances of Stock or Capital Contributions..... | | |
| 58 | Less: Issuances to Settle Long-Term Debt..... | | |
| 59 | Consideration in Acquisition of Business Entities..... | | |
| 60 | Cash Proceeds from Issuing Stock or Capital Contributions..... | \$ - | \$ - |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005

| Line (a) | (b) | Promotional Allowances | | Promotional Expenses | |
|-------------|----------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
| | | Number of Recipients (c) | Dollar Amount (d) | Number of Recipients (e) | Dollar Amount (f) |
| 1 | Rooms | 434,797 | \$ 18,329 | | \$ |
| 2 | Food | 1,321,354 | 21,753 | | |
| 3 | Beverage | 3,258,543 | 11,242 | | |
| 4 | Travel | | | 15,228 | 3,995 |
| 5 | Bus Program Cash | 509,941 | 8,115 | | |
| 6 | Other Cash Complimentaries | 664,589 | 31,753 | | |
| 7 | Entertainment | 109,253 | 2,836 | 28,725 | 2,185 |
| 8 | Retail & Non-Cash Gifts | 113,507 | 2,643 | 88,547 | 11,057 |
| 9 | Parking | 515,482 | 516 | 360,215 | 1,080 |
| 10 | Other * | 2,223 | 389 | 180,283 | 1,793 |
| 11 | Total | 6,929,689 | \$ 97,576 | 672,998 | \$ 20,110 |

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2005

| Line (a) | (b) | Promotional Allowances | | Promotional Expenses | |
|-------------|----------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
| | | Number of Recipients (c) | Dollar Amount (d) | Number of Recipients (e) | Dollar Amount (f) |
| 1 | Rooms | 161,744 | \$ 6,804 | | \$ |
| 2 | Food | 513,255 | 8,424 | | |
| 3 | Beverage | 1,276,819 | 4,289 | | |
| 4 | Travel | | | 5,997 | 1,558 |
| 5 | Bus Program Cash | 188,163 | 3,141 | | |
| 6 | Other Cash Complimentaries | 366,110 | 10,575 | | |
| 7 | Entertainment | 16,083 | 815 | 8,407 | 650 |
| 8 | Retail & Non-Cash Gifts | 44,383 | 1,033 | 27,442 | 3,532 |
| 9 | Parking | 394,576 | 395 | 239,309 | 717 |
| 10 | Other * | 1,154 | 164 | 75,086 | 800 |
| 11 | Total | 2,962,287 | \$ 35,640 | 356,241 | \$ 7,257 |

* No item in this category exceeds 5%.

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and basis of presentation

Boardwalk Regency Corporation (the "Company"), a New Jersey corporation, is a wholly owned subsidiary of Caesars New Jersey, Inc. ("CNJ"), a New Jersey corporation. The Company owns and operates Caesars Atlantic City Hotel/Casino ("CAC") in Atlantic City, New Jersey. CNJ is a wholly owned subsidiary of Caesars World, Inc. ("CWI"), a Florida corporation, and CWI is a wholly owned subsidiary of Harrah's Entertainment, Inc. ("Harrah's"). The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations.

On July 14, 2004, Caesars Entertainment, Inc. ("CEI"), Harrah's and Harrah's Operating Company, Inc., a wholly-owned subsidiary of Harrah's, entered into an Agreement and Plan of Merger (the "Merger Agreement"), providing for the merger of CEI with and into Harrah's Operating Company, Inc., which would be the surviving corporation. On March 11, 2005 the stockholders of CEI and Harrah's approved the Merger Agreement. On June 13, 2005 all regulatory approvals were received and the merger between CEI, Harrah's and Harrah's Operating Company, Inc. was complete.

All adjustments to these financial statements have been recorded and are, in the opinion of management, necessary for a fair presentation of the balance sheets for the Company at September 30, 2005 and 2004, and its statements of income for the three and nine months ended September 30, 2005 and 2004 and its statements of cash flows for the nine months ended September 30, 2005 and 2004. All such adjustments were of a normal recurring nature.

Seasonal factors

The Company's operations are subject to seasonal factors and, therefore, the results of operations of the nine months ended September 30, 2005 and 2004 are not necessarily indicative of the results of operations for the full year.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Revenue recognition and promotional allowances

Casino revenues represent the net revenue from gaming wins and losses. The revenues from hotel, food and beverage, and from theater ticket sales are recognized at the time the related services are performed. The Statement of Income reflects operating revenues including the retail value of complimentary services (also known as promotional allowances), which are deducted on a separate line to arrive at net revenues. Promotional allowances are provided to casino patrons without charge.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method.

Property and equipment

Property and equipment are stated at cost. Depreciation is provided on the straight-line basis over the estimated economic lives of the related assets. Depreciation expense was \$8,190 and \$8,484 for the three months ended September 30, 2005 and 2004, respectively; and \$25,186 and \$25,982 for the nine months ended September 30, 2005 and 2004, respectively.

| <u>Asset class</u> | <u>Life</u> |
|-----------------------------------|-------------|
| Buildings | 40 years |
| Building improvements | 3-10 years |
| Furniture, Fixtures and Equipment | 3-10 years |

Connection Card Program

The Connection Card Program allows players to earn credits that may be accumulated over time and redeemed at their discretion at any CEI casino in the United States in accordance with the rules of the program. The Company records an estimated liability for the incremental cost of providing goods and services under the program at the time the credits are earned.

Fair values of financial instruments

The fair values of the Company's financial instruments including receivables, payables and debt, approximate their recorded book values at September 30, 2005 and 2004.

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Accounting Pronouncements

In November 2002, the FASB issued Interpretation No. ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of the Indebtedness of Others." FIN No. 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this Interpretation apply to guarantees issued or modified after December 31, 2002. Implementation of this Interpretation did not have a material impact on the Company's financial statements.

In 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 addresses consolidation of entities that are not controllable through voting interest or in which the equity investors do not bear the residual economic risks and rewards. These entities have commonly been referred to as special purpose entities. The Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the interest in newly consolidated variable interest entities and requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity. Implementation of this Interpretation did not have a material impact on the Company's financial statements, as the Company does not have any variable interest entities.

Income taxes

Taxable income or loss of the Company is included in the consolidated Federal income tax return of CEI through June 13, 2005 and Harrah's thereafter. The Company provides for income taxes by applying the respective state and federal statutory rates to pre-tax financial statement income. The corresponding liability is credited to its corporate parent via other current liabilities. Deferred income taxes and liabilities for temporary differences between the carrying amounts for financial reporting and income tax purposes, if any, are accounted for by Harrah's in accordance with the tax sharing agreement between Harrah's and the Company.

New Jersey tax legislation

The New Jersey State Legislature passed a bill to increase taxes on the New Jersey casino industry, beginning in the State's fiscal year 2004 (starting July 1, 2003). Included in this legislation is a tax on net profits, taxes on certain complimentaries, and increases in parking, rooms and other fees. Profits tax expense is reflected in the provision for income taxes. Other taxes are reflected in selling, general and administrative expenses.

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Casino Reinvestment Development Authority

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by (i) investing in qualified eligible direct investments, (ii) making qualified contributions or (iii) depositing funds with the Casino Reinvestment Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have varying terms of up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

The twelve Atlantic City casino properties (the "AC Industry") and the CRDA have entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry will provide \$34 million over a four year period to the NJSEA and must deposit another \$62 million into the Casino Expansion Fund (managed by the CRDA). The \$62 million will be derived from funds either currently on deposit or to be deposited with the CRDA pursuant to each casino property's investment obligation. The Company's obligation is equal to its fair-share of AC Industry casino revenues. The Company estimates this commitment over the four year period to be a total of \$3,700, the first payment of which was made November 2004. The total estimated commitment will be charged to operations on a straight line basis through January 1, 2009. Once the Company meets its deposit obligation related to its fair share of the \$62 million, the Company is eligible to receive funds from the Casino Expansion Fund for qualified construction expenditures. The Company has until June 30, 2014 to submit an application to exhaust its share of the Casino Expansion Fund. Any funds not transferred out of the Casino Expansion Fund by the required date will be transferred to funds on deposit with the CRDA pursuant to its ongoing investment obligations.

Allocations and transactions with related parties

The Company transfers cash in excess of its operating needs to Harrah's on a daily basis. Harrah's provides the Company with cash advances for capital expenditures and working capital needs.

Certain executive, administrative and support operations of the Company and other Harrah's affiliates are consolidated, including limousine services, advertising, sales and marketing services, purchasing and other administrative departments. Costs of these operations are allocated to or from

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

the Company either directly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable.

Harrah's allocates certain expenses to the Company, such as information technology, internal audit and risk management. These expenses are allocated using various formulas based on estimates of utilization of such expenses. Management believes that the methods used to allocate these costs are reasonable.

NOTE 2 – RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks as of September 30 consist of the following:

| | <u>2005</u> | <u>2004</u> |
|--|------------------|------------------|
| Casino receivables (net of allowance for doubtful accounts – 2005, \$8,934; 2004, \$7,484) | \$ 13,481 | \$ 12,095 |
| Other (net of allowance for doubtful accounts – 2005, \$167; 2004, \$237) | 8,482 | 7,219 |
| Due from Harrah's | 94,457 | 108,616 |
| Due from other affiliates | <u>907</u> | <u>857</u> |
| | <u>\$117,327</u> | <u>\$128,787</u> |

NOTE 3 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables as of September 30 consist of the following:

| | <u>2005</u> | <u>2004</u> |
|---|------------------|------------------|
| CRDA deposits | \$ 11,999 | \$ 16,902 |
| CRDA bonds receivable | 6,514 | 3,074 |
| CRDA Seat License Agreement | 3,912 | 4,386 |
| CRDA Long-term note receivable | 820 | 844 |
| CRDA Donations | 1,959 | 537 |
| Other, net | <u>19</u> | <u>20</u> |
| | 25,223 | 25,763 |
| Less: valuation allowance on CRDA investments | <u>(6,444)</u> | <u>(6,940)</u> |
| | <u>\$ 18,779</u> | <u>\$ 18,823</u> |

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of September 30 consist of the following:

| | <u>2005</u> | <u>2004</u> |
|--|-------------------|-------------------|
| Land | \$ 118,819 | \$ 119,145 |
| Buildings and improvements | 604,672 | 556,518 |
| Furniture, fixtures and equipment | 237,071 | 228,395 |
| Construction in progress | <u>15,366</u> | <u>29,873</u> |
| | 975,928 | 933,931 |
| Less accumulated depreciation and amortization | <u>(413,580)</u> | <u>(401,591)</u> |
| | <u>\$ 562,348</u> | <u>\$ 532,340</u> |

NOTE 5 – OTHER ASSETS

During May 2003, the Company entered into an agreement to lease the Ocean One Pier (the “Pier”) to developers for an initial term of 75 years. The 75 year term commences upon completion of the Pier’s construction which is scheduled to open in the 2nd quarter 2006. The lease agreement provides for the repayment of certain qualified pier development costs incurred by the developers.

As financing for the qualified pier development costs, the Company and certain of its Atlantic City affiliates entered into a credit agreement (the “Credit Agreement”) with the CRDA. The Credit Agreement provides for funding from the CRDA of up to \$33,000 for qualified development costs. The CRDA funding will come from amounts either currently on deposit or to be deposited with the CRDA pursuant to the Company’s and its affiliates’ investment obligations. Repayments to the developers are limited to the funds received from the CRDA. As of September 30, 2005, the Company has received \$4,879 of previously deposited funds from the CRDA.

As of September 30, 2005, the Company repaid the developers approximately \$25,000 through CRDA funds previously deposited by an affiliate. These payments are considered lease incentive payments and will be amortized over the life of the lease.

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 6 – NOTES PAYABLE

At December 31, 2000, the Company entered into an uncommitted \$50,000 credit facility with Caesars Entertainment Finance Corporation (CEFC), a wholly owned subsidiary of CEI. At September 30, 2005 and 2004, respectively, there was no outstanding balance.

NOTE 7 - OTHER ACCRUED EXPENSES

Other accrued expenses as of September 30 consist of the following:

| | <u>2005</u> | <u>2004</u> |
|------------------------------|-----------------|-----------------|
| Accrued payroll and benefits | \$8,276 | \$12,772 |
| Insurance claims | - | 4,112 |
| Real estate taxes | 4,622 | 3,432 |
| Other | <u>9,506</u> | <u>10,549</u> |
| | <u>\$22,404</u> | <u>\$30,865</u> |

Liabilities of \$3,313 for insurance claims and \$1,829 for workers' compensation have been recorded by Harrah's as a result of a change in accounting policy. The Company receives a monthly allocation from Harrah's, based on estimates of utilization of such expenses. The change in accounting policy has no impact on the Company's net income.

NOTE 8- OTHER CURRENT LIABILITIES

Other current liabilities as of September 30 consist of the following:

| | <u>2005</u> | <u>2004</u> |
|--------------------------------------|-----------------|-----------------|
| Due to affiliates | \$74,126 | \$59,472 |
| Unredeemed slot promotions liability | 2,300 | 3,441 |
| Unredeemed chip and token liability | 2,434 | 2,039 |
| Connection Card liability | 3,652 | 3,426 |
| Other | <u>4,990</u> | <u>2,285</u> |
| | <u>\$87,502</u> | <u>\$70,663</u> |

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 9 - LONG-TERM DEBT - DUE TO AFFILIATES

Long-term debt - due to affiliates as of September 30, 2005 and 2004, respectively consists of a Caesars Entertainment Finance Corp note due December 31, 2010 at 8.50%.

NOTE 10 - LONG-TERM DEBT, OTHER

Long-term debt, other as of September 30 consists of the following:

| | <u>2005</u> | <u>2004</u> |
|------------------------------------|---------------|---------------|
| Mortgage Note due October 15, 2011 | | |
| Interest at 10.0% | \$ 692 | \$ 720 |
| Less: current maturities | <u>(31)</u> | <u>(28)</u> |
| | \$ <u>661</u> | \$ <u>692</u> |

NOTE 11 - CHARGES FROM AFFILIATES - MANAGEMENT FEE

The Company has recorded expenses for the three months ended September 30 from CWI and affiliates as follows:

| | | <u>2005</u> | <u>2004</u> |
|----------------------|--------------------|-----------------|-----------------|
| <u>Affiliate</u> | <u>Transaction</u> | | |
| Caesars World, Inc. | Management fee | \$ 4,703 | \$ 4,537 |
| Caesars Palace Corp. | Trade name fee | <u>1,664</u> | <u>1,614</u> |
| | | \$ <u>6,367</u> | \$ <u>6,151</u> |

Boardwalk Regency Corporation (Caesars Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

The Company has recorded expenses for the nine months ended September 30 from CWI and affiliates as follows:

| | | <u>2005</u> | <u>2004</u> |
|----------------------|--------------------|------------------|-----------------|
| <u>Affiliate</u> | <u>Transaction</u> | | |
| Caesars World, Inc. | Management fee | \$ 12,653 | \$12,459 |
| Caesars Palace Corp. | Trade name fee | <u>4,926</u> | <u>4,870</u> |
| | | <u>\$ 17,579</u> | <u>\$17,329</u> |

NOTE 12 - NONOPERATING INCOME (EXPENSE) - NET

Nonoperating income (expense) for the three months ended September 30 consists of the following:

| | <u>2005</u> | <u>2004</u> |
|--------------------------------------|--------------|------------------|
| Interest income | \$ 133 | \$ 79 |
| Impairment loss | - | (5,343) |
| Gain (loss) on disposal of equipment | <u>23</u> | <u>-</u> |
| | <u>\$156</u> | <u>\$(5,264)</u> |

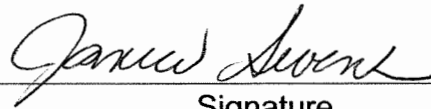
Nonoperating income (expense) for the nine months ended September 30 consists of the following:

| | <u>2005</u> | <u>2004</u> |
|--------------------------------------|----------------|------------------|
| Interest income | \$ 359 | \$ 220 |
| Impairment loss | - | (5,343) |
| Lease buyout expense | (281) | - |
| Loss on sale of Asset | (227) | - |
| Gain (loss) on disposal of equipment | <u>39</u> | <u>66</u> |
| | <u>\$(110)</u> | <u>\$(5,057)</u> |

In February 2005, the Company entered into an agreement to terminate a lease with a lessee. A non-operating charge of \$281 was recorded on the statements of income.

STATEMENT OF CONFORMITY, ACCURACY, AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2 (b) 1-5 during the quarter.



Signature

Controller

Title

#7091-11

License Number

On Behalf Of:

Boardwalk Regency Corporation

Casino Licensee